



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
OWSLEY COUNTY CLERK**

Calendar Year 1998

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Jimmy W. Herald, Owsley County Judge/Executive

Honorable Sid Gabbard, Owsley County Clerk

Members of the Owsley County Fiscal Court

The enclosed report prepared by Donna Bouvier, Certified Public Accountant, presents the statement of receipts, disbursements, and excess fees of the County Clerk of Owsley County, Kentucky, as of December 31, 1998.

We engaged Donna Bouvier, CPA, to perform the financial audit of this statement. We worked closely with the firm during our report review process; the resulting audit comports with our reporting format. As part of the audit, Donna Bouvier, CPA, evaluated the Owsley County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure

AUDIT REPORT OF
OWSLEY COUNTY CLERK

Calendar Year 1998

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To the People of Kentucky
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Independent Auditor's Report

I have audited the statement of receipts, disbursements, and excess fees of the County Clerk of Owsley County, Kentucky, for the year ended December 31, 1998. This financial statement is the responsibility of the County Clerk. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted my audit in accordance with generally accepted government auditing standards, Government Auditing Standards issued by the Comptroller General of the United States; and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the County Clerk is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

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(Continued)

In my opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 1998, in conformity with the basis of accounting described above.

In accordance with Government Auditing Standards, I have also issued a report dated November 12, 1999, on my consideration of the County Clerk's compliance with certain laws and regulations and internal control over financial reporting.

Donna Bouvier
Certified Public Accountant

November 12, 1999

OWSLEY COUNTY
SID GABBARD, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1998

<u>Receipts</u>							
State Fees for Services					\$	6,070	
Fiscal Court						7,243	
Licenses and Taxes:							
Motor Vehicle-							
Licenses and Transfers				\$	84,651		
Usage Tax					107,106		
Tangible Personal Property Tax					166,986		
Licenses-							
Fish and Game					15,058		
Marriage					1,794		
Deed Transfer Tax					3,052		
Delinquent Tax					8,212	386,859	
Fees Collected for Services:							
Recordings-							
Deeds, Easements and Contracts				\$	3,639		
Real Estate Mortgages					1,533		
Chattel Mortgages and							
Financing Statements					14,960		
All Other Recordings					2,135		
Charges for Other Services-							
Miscellaneous					5,491	27,758	
Interest Earned						127	
Gross Receipts Carried Forward					\$	428,057	

OWSLEY COUNTY
SID GABBARD, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1998
(Continued)

Gross Receipts Brought Forward							\$ 428,057
<u>Disbursements</u>							
Payments to State:							
Motor Vehicle-							
Licenses and Transfers			\$ 62,605				
Usage Tax			103,853				
Tangible Personal Property Tax			64,619				
Licenses-							
Fish and Game			17,484				
Delinquent Tax			1,661				
Legal Process Tax			4,600		\$ 254,822		
Payments to Fiscal Court:							
Tangible Personal Property Tax			\$ 16,809				
Delinquent Tax			1,289				
Deed Transfer Tax			2,899		20,997		
Payments to Other Districts:							
Tangible Personal Property Tax			\$ 78,484				
Delinquent Tax			4,054		82,538		
Payments to Sheriff					405		
Operating Disbursements:							
Personnel Services-							
Deputies Salaries			\$ 30,644				
Contracted Services-							
Bank Service Charges			2,065				
Operating Disbursements: (Continued)							
Supplies and Materials-							

OWSLEY COUNTY
SID GABBARD, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1998
(Continued)

Other Charges-							
Postage				4,568			
Miscellaneous				425			
Utilities				1,275		\$ 39,355	
Total Disbursements							\$ 398,117
Net Receipts							\$ 29,488
Less: Statutory Maximum							48,726
Balance Due at Completion of Audit							\$ -

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENT

OWSLEY COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1998

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official utilizes a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, Kentucky Revised Statute 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

OWSLEY COUNTY
NOTES TO FINANCIAL STATEMENT
Calendar Year 1998
(Continued)

NOTE 2: EMPLOYEES RETIREMENT SYSTEM

The county officials and employees have elected to participate in the County Employee Retirement System pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement System. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

NOTE 3: DEPOSITS

The County Clerk maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. The Clerk's deposits never exceeded \$100,000, the amount of FDIC insurance, during 1998.

NOTE 4: GRANT

In prior years, the County Clerk received a local records microfilming grant from the Kentucky Department of Libraries and Archives. There was a \$7,100 balance as of January 1, 1998. There were no funds expended during calendar year 1998. The unexpended grant balance is \$7,100 as of December 31, 1998.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Jimmy Herald, County Judge/Executive
Honorable Sid Gabbard, Owsley County Clerk
Members of the Owsley County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

I have audited the Owsley County Clerk as of December 31, 1998, and have issued my report thereon dated November 12, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Owsley County Clerk's financial statement as of December 31, 1998, is free of material misstatement, I performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Owsley County Clerk's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statement and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Honorable Jimmy Herald, County Judge/Executive
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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Donna Bouvier
Certified Public Accountant

November 12, 1999